

Living Wage Calculation for Saskatoon 2017

Charles Plante, University of Saskatchewan, May 2017

The Living Wage

The living wage is the amount needed for an employee to remain healthy, productive, and support themselves and their families with confidence. It covers things like the amount of money a family needs in order to pay for rent, transportation, food, childcare and other needs in today's economy.

We've calculated a recommended living wage for Saskatoon in 2017 of \$16.19 per hour for an individual working a minimum of 35 hours a week. This is down 47 cents from last year's living wage of \$16.66.

Calculating the Living Wage

We calculate the living wage for Saskatoon using an approach that has already been used to calculate living wages in dozens of Canadian towns, cities and regions. It involves four elements: first we estimate the annual cost of living in our community, then we work out how much a representative family has to earn on an hourly basis in order to cover these expenses, taking into account both taxes and transfers from government.

The relationship between the four elements involved in calculating the living wage is illustrated in Figure 1. The living wage is the value that Employment Income assumes when the left and righthand sides of the equation equal one another.



Figure 1: Four elements involved in calculating the living wage

A Representative Family

We follow the lead of previous living wage studies that use as their sample family, a family of four with two middle-aged parents, male and female, and two children, also male and female, one 4 and the other 7 years old. Each parent is assumed to earn the same hourly wage and work full-time, which is defined as 35 hours a week.

Total Expenses

The standard approach to calculating living wages in Canada considers nine areas of expenditure needed to ensure a family has what they need to be healthy and productive. The nine categories are: Food, Clothing, Shelter, Transportation, Other, Child care, Health care, Advanced education and Contingency funds.

While the names of most of these categories are self-explanatory, a couple require a little more explanation. The Other category includes items that are needed to get by in our community but are not included in the other categories. Things like telephone and internet services, household supplies and personal care products are included in this category.

Contingency funds are for unexpected and/or infrequent costs, which may include everything from an unlucky parking ticket, to uninsured health expenses, to a child's school outing.

Calculated monthly and annual expense amounts for Saskatoon for this year and last year's calculations are listed in Table 2. For a more detailed breakdown of how these costs are calculated, please refer to Plante (2015) or Gingrich (2014).

Table 1. Monthly Expenses in Saskatoon for Our Sample Family in 2016 and 2017

Variable	2016	2017	Difference
Food	\$9,853	\$10,121	\$269
Clothing	\$2,105	\$2,101	-\$4
Shelter	\$15,338	\$16,136	\$798
Transportation	\$5,815	\$5,885	\$69
Other	\$10,194	\$10,308	\$114
Child care	\$12,806	\$12,912	\$106
Health care	\$1,570	\$1,699	\$129
Advanced education	\$1,400	\$1,400	\$0
Contingency fund	\$2,335	\$2,267	-\$69
Total	\$61,416	\$62,829	\$1,413

Taxes and transfers

The taxes and transfers of our typical family of four were calculated using a software program developed by University of British Columbia economist Kevin Milligan called the “Canadian Tax and Credit Simulator” (2016). CTaCS takes information on family composition and earnings and returns information on government taxes and transfers.

As has been customary in living wage calculations in other regions across the country, efforts were made to ensure that families maximized the spending deductions they were eligible for. Families can receive deductibles for child care, health, tuition, housing and public transportation expenses, among other things. We calculated deductibles based on our expense estimates.

Table 2 summarizes the right side elements of the equation in Figure 1, employment income, government transfer, and income taxes, for this year and last. When the two earners of our representative family earn \$16.19/hr their net disposable income is \$62,834 per year, just slightly more than their annual expense. The discrepancy is the result of rounding error.

Note that refundable tax credits can cause the effect of income and payroll taxes to become negative. Note also that when the living wage goes down, taxable earnings also do, causing downward changes in income and payroll taxes. Benefits that are sensitive to income are also likely to go up.

Table 2. Annual Employment Income, Government Transfers, and Income Taxes

Element	Breakdown	2016	2017	Difference
Employment Income	Total	\$60,882	\$59,094	-\$1,789
	Living wage	\$16.66/hr	\$16.19/hr	-\$0.47
	Per adult	\$30,441	\$29,547	-\$894
Government Transfers	Total	\$5,946	\$8,305	\$2,359
	Provincial	\$299	\$406	\$107
	Federal	\$5,646	\$7,898	\$2,252
Income & Payroll Taxes	Total	-\$5,404	-\$4,564	\$840
	Provincial	\$118	\$300	\$182
	Federal	-\$5,522	-\$4,864	\$658
Net income		\$61,424	\$62,834	\$1,410

Timing

All of our living wage numbers for 2015 are based on numbers for 2014. This is because Statistics Canada only releases the complete price adjustments that are needed for our living wage calculations in January of each year. In early 2016, Living Wage Saskatoon will update our numbers to take into account 2015 changes in prices.

Conclusion

How much does each parent of our typical family of four in Saskatoon need to earn in order to cover basic expenses? According to our calculations, after taking into account government transfers and taxes, \$16.19 an hour.

Of course, our living wage calculations are limited by the extent and quality of the data we have to use. There are many reasons why some employers may find that the living wage we calculate does not apply exactly to their situation.

Nonetheless, our calculations draw on best practices from across Canada to provide employers with a clear benchmark for how much they need to pay their employees in order to avoid unnecessary costs (see Plante and Roddau 2015). Employees in Saskatoon who earn less than \$16.19 are more likely to be unreliable as they struggle to meet the demands of daily life on meagre wages.

At the end of the day, no two businesses are any more the same than any two employees. It is up to every business to work with their employees to find out how a living wage can work for them, what it will look like, and how they can achieve it.

References

Gingrich, Paul. 2014. *A Living Wage for Regina: Methodology*. Canadian Centre for Policy Alternatives.

Milligan, Kevin. 2016. "Canadian Tax and Credit Simulator (CTACS)." *Database, Software and Documentation, Version 2016-1*.

Plante, Charles. 2015. *Living Wage Saskatoon: Methodology*. Living Wage Saskatoon.

Plante, Charles and Stefan Roddau. 2015. *The Business Case for a Living Wage in Saskatoon*. Living Wage Saskatoon.